

## Decision under Delegated Powers

### Officer Making the Decision

Strategic Director of Corporate Services (in role of s151 Officer)

### Recommendation

That the Council participates in the Leicester and Leicestershire business rates pool for the financial year 2016/17.

### Reason

To allow prospective 'levy' payments that would otherwise be payable to central government to be directed to the Leicester and Leicestershire Economic Partnership (LLEP).

### Authority for Decision

Delegated authority for this decision was explicitly set out in the Cabinet Report 'Business Rate Pooling' of 12 February 2015. Minute 87 of this meeting refers.

### Decision and Date



14 JANUARY 2016

### Background

1. The calculation of the Council's income from its retained share of business rates (NDR) is somewhat technical in nature. However, in broad terms the way the calculation works is as follows:

- The government inform the Council of the amount of funding it can expect to receive from its share of retained NDR within the local government finance settlement;
- Within this settlement the government also sets the Council a NDR collection target, (or 'baseline') which must be achieved for the Council to receive its expected NDR income;
- If the Council's collection of NDR exceeds the baseline amount then a *proportion* of the additional income collected may be retained; the balance of additional income (50% in the case of Charnwood) is paid over to the government;

- Conversely, if the NDR collection falls short of the baseline then Council will suffer a shortfall in income.
2. In a pooling arrangement the calculations treat all pool members as a single entity. In the prospective Leicester & Leicestershire NDR pool the impact of pooling is that:
- If collection of NDR across all authorities exceeds the total of the baseline amounts then *all* of the additional income may be retained within the participating authorities, rather than a proportion of this money being remitted to the government;
  - However, if NDR collections are significantly below the baseline across all authorities then individual councils may be worse off than they would otherwise have been as stand-alone local authorities.
3. Illustrative calculations setting out how NDR funding works in more detail are set out in the Cabinet report of 27 September 2012, 'Business Rate Pooling'.
4. The Leicester & Leicestershire Business Rates Pool has the following features:
- The lead body is Leicestershire County Council
  - Generally, all participating local authorities can expect to receive the same amount of income that they would have received as if they were operating as a stand-alone authority
  - Any surpluses generated (ie. monies that would otherwise be remitted to the government) will be first used to create a 'reserve', or safety net, to offset future pool shortfalls; any further amounts would then be remitted to the Leicester & Leicestershire Economic Partnership (or LLEP) to fund growth projects within the sub-region.
  - If the NDR collections were particularly poor right across Leicestershire then insufficient pool income may be generated to put all authorities in the position they would otherwise have been had they been operating as a stand-alone authority; in this event the shortfall would be shared in proportion to baseline NDR collections and funding requirements
  - In order to reduce the risk of funding shortfalls a reserve of £2.0m arising from previous year's pooling surpluses will be used to create a safety net fund for this eventuality
  - Monitoring of pool performance and forecast outturns will be managed through the Leicestershire Treasurers Association; each participating body is represented by its Chief Financial Officer (Section 151 Officer) at this forum
  - Pool membership comprises Leicestershire County Council, Leicester City Council, the Leicester, Leicestershire & Rutland Fire Authority, and all seven Leicestershire Districts

## Financial Implications

There are no direct financial implications arising from this decision.

- Any financial benefits that may arise from pooling will be remitted to the Leicester & Leicestershire Economic Partnership (or LLEP) to fund growth projects within the sub-region; the actual benefits to the local Charnwood area will therefore depend on the specific nature and location of projects funded
- It is possible that the Council could be financially disadvantaged by Pool membership but this risk - summarised below – is not considered significant

## Risk Management

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Risk Management Actions Planned</i>
The Council is financially disadvantaged due to entering into a NDR pooling agreement	2 - Unlikely	2 - Moderate	Final decision on whether to proceed with pooling will be informed by detailed financial settlement and baseline details.  A reserve of £2.0m is available allowing pool members to be compensated if they suffer a financial impact in excess of what they would have experienced if operating outside the pool.

Key Decision:

No

Background Papers:

LTA paper as noted below

*'Leicestershire Treasurers Association – 11<sup>th</sup> January 2016 ; Business Rates Pooling 2015/16 and 2016/17; Report by Leicestershire CC'*

